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SUBJECT: IRAN REGIONAL PRESENCE OFFICE DUBAI: WINDOW ON IRAN - APRIL
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CLASSIFIED BY: Ramin Asgard, Director, Iran Regional Presence
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REASON: 1.4 (b), (d)

11. [S/NF] Iranian UN OCHA head seen as invaluable link to IRIG:

According to an Iranian employee of the UN Office of the Coordinator for Humanitarian Affairs (please protect), the current OCHA director in Tehran, Ali Ashraf Mojtahed Shabestari, is so well-respected by IRIG officials that their relatively small office is often called upon by other larger UN agencies to help pave the way for agreements with the Iranian government. Shabestari, a former diplomat who served as Iran's ambassador to the UN headquarters in Geneva in the 1980s, is particularly close to Foreign Minister Mottaki and several "senior people" in the Ministry of Interior, she noted. Because of his access and stature within the ruling elite in Tehran, expatriate colleagues within the broader UN mission sometimes seek Dr. Shabestari's assistance when requesting permission or collaboration for sensitive activities from the IRIG. For example, she said that Dr. Shabestari recently provided "cover" via UN OCHA for a training workshop on gender empowerment organized by the UN Population Fund that had been twice cancelled by the government.

By changing the title to "Gender Empowerment in Emergencies" and issuing the invitations to government officials personally, Shabestari was able to overcome IRIG reluctance. Comment: In a late January article published by the state-run IRNA, Shabestari reacted positively to President Obama's stated willingness to engage Iran and argued that Iran's "diplomatic apparatus" should remain vigilant "since an opportunity to secure the country's grave national interests might occur merely one fleeting time."

12. [S/NF] A Good Week for Individual Exchanges: IRPO spoke to three exchange participants in separate programs this week, and none reported any trouble from the IRIG related to their travel to the US. An economics professor from Yazd University spending a semester at the University of Virginia, a medical researcher working with NIH, and a theater director traveling for a Department-funded workshop this summer at the Kennedy Center told us that they had no knowledge of the MFA commission that supposedly is overseeing exchanges with the US and had not asked its permission to travel. The medical researcher showed us a copy of the research agreement that had been signed between NIH and the Mashad University of Medical Sciences as evidence that Iranian authorities were aware and supportive of his trip. Similarly, the economics professor, who has been a useful source

in our recent economic reporting, told us that universities and individual professors across Iran were eager to establish partnerships with American institutions. These partnerships should be a first step in restoring normal relations, he added. Comment: We are hopeful that the experience of these three Iranians indicates a softening attitude among Iranian authorities. We should point out, however, that individuals have seldom had trouble. We'll know better if the IRIG is again open to IVLP exchanges in May, when the first of several IVLP groups this summer is due to travel.

13. [S/NF] Budgetary Planning Employee Addresses Dissolution of the Management and Planning Organization and the Iranian Budget:

Monir Vazirnia, a civil engineer with what was the Management and Planning Organization (MPO) in Khorasan-e Razavi province, spoke with IRPO conoff in early April about the changes to the MPO since President Ahmadinejad reorganized the budget-planning body in 2006. Now known as the Vice-Presidential Department for Strategic Planning and Control, she said Ahmadinejad had initiated the reorganization in order gain more control over the budget process and toward that end removed a number of senior "experts" from the organization. However, most of the changes have taken place in the upper echelons of the organization and her work has remained the same. Her role is to formulate the province's budget request for new university and hospital construction, which is fed into the province's broader request and then evaluated in Tehran. Vazirnia also dismissed the Majles' effort to resuscitate the MPO; the MPO falls under the president's authority and its status will depend on the outcome of the presidential election. She made the following points:

- Budgets have become less detailed - fewer line items - because Ahmadinejad wants the flexibility to independently determine provincial spending.

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- Ahmadinejad's subsidy reforms were a positive step, but the plans need to be implemented gradually - the Iranian people are not prepared for dramatic change. She attributed the rejection of Ahmadinejad's subsidy reform plan to the Majles' legitimate concerns that it would increase inflation.

- Last year's aborted plan to implement a value-added tax is not likely to be repeated this year. At the time, Ahmadinejad said the plan's implementation was to be delayed until after the presidential election. However, according to Vazirnia, the new budget does not include any revenue from the tax.

- Khorasan-e Razavi had a 20 percent budget deficit last year. She was unable to forecast the province's deficit for the current year (starting March 21) because she said it would depend on the price of oil. She said the government responds to deficits by shuttering projects or slowing their pace.

Comment: Although Vazirnia lives in Mashad and is not privy to the budgetary wrangling in Tehran, her insight into working levels of the MPO is useful. Her comments indicate the MPO's overhaul had little effect on the bureaucracy outside of Tehran. As such, reviving the MPO, if pursued by a different president, would be a more straightforward matter.

14. [S/NF] Faculty Changes at Influential University: Some economics professors at Shahid Beheshti University have recently

been forced into early retirement, according to an IRPO contact who is a professor of economics at Yazd University. Shahid Beheshti is one of three influential centers of economic studies, a group that includes Tehran University and Allameh Tabatabai University, the latter of which has a strong rivalry with Shahid Beheshti. Many of the sixty economists who have written a series of open letters critical of AN's economic policies come from Allameh Tabatabai University, and they generally favor strict adherence to Iran's five-and twenty-year development plans and a restoration of the Management and Planning Organization (MPO) that AN partially dismantled in 2006, according to the Yazd academic and a separate contact who is an Iranian professor of economics at the American University of Sharjah (please protect). First Vice President Parviz Davoudi, a graduate of Shahid Beheshti and a key economic adviser to AN, was recently confronted at a gathering in Tehran where he was asked why Iran's gini coefficient - a common measure of inequality of income distribution - has increased in recent years, a question designed to embarrass an administration that has claimed social justice as one of its guiding principles, according to the Yazd academic. Comment: Major faculty changes at a key university associated with AN's economic policies could be a sign that their failures are being recognized, or that the faculty is being purged of all but the true believers. At Yazd University, only one of twelve professors of economics support AN, according to the IRPO contact.

15. [S/NF] Economic Idol: To encourage non-oil exports and increased productivity the IRIG continues to award prizes to its best performing firms, according to an IRPO contact who is a professor of economics at Yazd University. Cash and special export licenses are awarded to the top 25 Iranian exporters, based on sales volume - in a televised ceremony - and a tractor manufacturer in Tabriz is one firm that hopes to win this year, according to an Iranian press article. The National Productivity Prize is awarded to a leading industrial company, based on guidelines established by the European Foundation for Quality Management (EFQM), although the last winner mentioned in Iranian press was an automobile parts manufacturer that won the award in 2006. Comment: Both of these prizes were initiated by former President Khatami's government, and the continued existence of the productivity award, which receives little

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attention from the Iranian media, signals that some Iranian business leaders and academics continue to aspire to Western business values like EFQM, despite AN's rhetoric about the collapse of capitalism.
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